



Federal Accounting Standards Advisory Board

April 22, 2005

Memorandum

To: Members of the Board

From: Eileen W. Parlow, Assistant Director

Through: Wendy M. Comes, Executive Director

Subject: **Draft Revised Exposure Draft, Accounting for Fiduciary Activities
(Tab F)**

NOTE: The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Meeting Objectives:

- To review a revised Exposure Draft, *Accounting for Fiduciary Activities*, and
- To discuss a *Wall Street Journal* article about audit coverage of note disclosures.

Attached is a draft revised exposure draft, *Accounting for Fiduciary Activities*. The “changes marked” version shows changes from the version that was sent to you on April 5, 2005. Changes from the April 2005 version include:

- Added amendments to SFFAS 1, *Accounting for Selected Assets and Liabilities*, to clarify the nature of fiduciary Fund Balance with Treasury (FBWT).[paragraphs 6, 23 and 24]
- Added concept of the fiduciary entity being a separate, non-Federal entity [paragraphs 11, 13, Glossary and Executive Summary]
- Added additional explanations of fiduciary FBWT and investments in Treasury securities to the Basis for Conclusions [paragraphs 41-44]
- Added transactions to the case study to show the issuance of an appropriation warrant to the Bureau of Public Debt

Also attached is an article from the March 30, 2005, *Wall Street Journal* about a study that finds that “auditors are more willing to tolerate errors when they appear in a

footnote than in the main body of a financial report.” The results of the study indicated that “Accounting regulators might consider whether an unintended consequence of relegating information to footnotes is that the reliability of that information could be reduced.” The report stated that “Likewise, users of financial statements who employ simple techniques to act as if disclosed amounts had been recognized should understand that these techniques do not produce numbers of the same reliability.”

Staff recommends that members consider the implications of the article upon the placement of fiduciary disclosures in a note rather than a separate principal financial statement.

Attachments:

Wall Street Journal Article, “Auditors May Let Footnote Errors Slide”
Revised Exposure Draft, clean copy
Revised Exposure Draft, changes marked

Note to FASAB website users:

Exposure Drafts are not released to the public until issued. Accordingly, the related attachments above are not posted on the FASAB website.

In addition, due to copyright rules, the *Wall Street Journal* article is not posted on the FASAB website. Interested parties may obtain a copy of the article directly from the *Wall Street Journal*. The article was published on March 30, 2005.